A Better Chicago

Financial Statements and Independent Auditors' Report

December 31, 2012 and 2011

Miller Cooper & Co., Ltd.

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MILLER
COOPER
& Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
A Better Chicago
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of A Better Chicago which comprise the statements of financial position, as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the year ended December 31, 2012 and for the period January 4, 2011 (inception) through December 31, 2011 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

Auditor's Responsibility (Continued)

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Better Chicago, as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows, for the year ended December 31, 2012 and the period January 4, 2011 (inception) through December 31, 2011, in accordance with accounting principles generally accepted in the United States of America.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
June 25, 2013

FINANCIAL STATEMENTS

A Better Chicago

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,376,744	$ 721,144
Accounts receivable	57,500	-
Pledges receivable	192,000	50,000
Prepaid expenses	5,719	2,046
Property and equipment, net	7,979	5,764
	$ 1,639,942	$ 778,954
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 12,891	$ 10,341
Grants payable	407,500	200,000
Total liabilities	420,391	210,341
NET ASSETS		
Unrestricted	1,069,551	568,613
Temporarily restricted	150,000	-
Total net assets	1,219,551	568,613
	$ 1,639,942	$ 778,954

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2012 and for the period
January 4, 2011 (inception) through December 31, 2011

	2012	2011
Unrestricted net assets		
Revenues		
Contributions	$ 1,804,266	$ 1,120,019
Contributed services in-kind	247,407	148,047
Investment income	127	58
	2,051,800	1,268,124
Expenses		
Program	1,271,962	561,863
Fundraising	107,894	67,386
General and administrative	171,006	70,262
	1,550,862	699,511
Increase in unrestricted net assets	500,938	568,613
Temporarily restricted net assets		
Contributions	150,000	-
Increase in temporarily restricted net assets	150,000	-
INCREASE IN NET ASSETS	650,938	568,613
Net assets, beginning of period	568,613	-
Net assets, end of period	$ 1,219,551	$ 568,613

The accompanying notes are an integral part of these statements.

A Better Chicago

STATEMENTS OF CASH FLOWS
For the year ended December 31, 2012 and for the period
January 4, 2011 (inception) through December 31, 2011

	2012	2011
Cash flows from operating activities		
Increase in net assets	$ 650,938	$ 568,613
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,406	887
Change in assets		
Accounts receivable	(57,500)	-
Pledges receivable	(142,000)	(50,000)
Prepaid expenses	(3,673)	(2,046)
Change in liabilities		
Accounts payable	2,550	10,341
Grants payable	207,500	200,000
Net cash provided by operating activities	660,221	727,795
Cash flows from investing activities		
Purchases of property and equipment	(4,621)	(6,651)
Net cash used in investing activities	(4,621)	(6,651)
NET INCREASE IN CASH	655,600	721,144
Cash and cash equivalents, beginning of period	721,144	-
Cash and cash equivalents, end of period	$ 1,376,744	$ 721,144

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND NATURE OF THE BUSINESS

A Better Chicago (the "Organization") was incorporated on January 4, 2011 as an Illinois nonprofit organization. The Organization's mission is to provide funding and management support to a portfolio of high-performing nonprofit organizations that are dramatically advancing opportunities for the Chicago region's low-income population.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

2. Cash and Cash Equivalents

The Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Management considers its receivables to be fully collectible; accordingly, no allowance for uncollectible accounts is required. If amounts become uncollectible, the related receivable will be charged to operations when that determination is made.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management monitors the collection of these receivables on a routine basis. Unconditional contributions (promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of estimated future cash flows, at the date the contribution or pledge is received, to the extent estimated to be collectible by the Organization. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, are included in contribution revenue. Amounts reflected as pledges receivable, at December 31, 2012, are expected to be collected in 2013. Accordingly, no discounts are reflected.

5. Property and Equipment, Net

Equipment is recorded at cost, if purchased, or fair value as of the date of donation. Equipment is depreciated on a straight-line basis over three to five years.

6. Grants Payable

Grants are recorded by the Organization upon approval by its Board of Directors. It is the Organization's intent that amounts reflected as grants payable at December 31, 2012, will be fulfilled in 2013.

7. Net Assets

Under accounting principles generally accepted in the United States of America, not-for-profit organizations report net assets in each of three classes: permanently restricted, temporarily restricted, or unrestricted, based on the existence or absence of donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets. There were no permanently restricted net assets at December 31, 2012 or 2011.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Income Taxes

The Organization has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from taxation on income related to its exempt purposes under section 501(a) of the Internal Revenue Code, as an organization described in section 501(c)(3). As an exempt organization, the Organization is subject to federal and state income taxes on income determined to be unrelated business taxable income, if any.

9. Contributions

The Organization reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts of cash and other assets that are received without donor stipulations limiting the use of the donated assets are reported as unrestricted support. When a temporary donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions that are donor-restricted and the restriction is satisfied in the same reporting period are classified as unrestricted.

Contributions of items other than cash are recorded at their fair market values, on the dates of the donations.

10. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Contributed Goods and Services

In-kind contributions are recorded at their estimated fair value as both revenue and expense in the statement of activities. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization records the estimated fair value of contributed services which meet these criteria (Note E).

12. Functional Expense Allocation

The cost of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, costs associated with a specific program are charged directly to that program. Costs that benefit more than one program have been allocated among the programs and supporting services benefited based on a systematic and rational method.

13. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, pledges receivable, accounts payable, and grants payable, approximate fair value due to the short maturity of these instruments.

It is the Organization's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. The instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying footnotes.

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2012 and 2011 consists of:

	2012	2011
Computers	$ 5,772	$ 1,651
Website	5,500	5,000
	11,272	6,651
Less accumulated depreciation	3,293	887
	$ 7,979	$ 5,764

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

For the year ended December 31, 2012, there were $150,000 of temporarily restricted net assets restricted for use during 2013. There were no temporarily restricted net assets at December 31, 2011.

NOTE E - CONTRIBUTED GOODS AND SERVICES

The Organization received donated services during the year ended December 31, 2012 and the period January 4, 2011 through December 31, 2011, related to salary and legal services. The fair market value of these donations are $247,407 and $148,047, respectively. These amounts were recorded as both revenues and expenses in the accompanying statements of activities.

NOTE F - GRANTS PAYABLE

The following summarizes the changes in grants payable during the year ended December 31, 2012 and the period January 4, 2011 through December 31, 2011.

	2012	2011
Balance, beginning of the year	$ 200,000	$ -
Grants authorized	875,500	400,000
Payments made	(668,000)	(200,000)
Balance, end of the year	$ 407,500	$ 200,000

Grants authorized but unpaid at December 31, 2012, are payable in 2013. At December 31, 2012, the Organization has approved additional grants totaling $215,000, which are subject to the intended recipients accomplishing certain milestones, as defined in the investment agreements. These conditional grants are not reflected in the financial statements.

NOTE G - REVOLVING LINE OF CREDIT

The Organization has a $500,000 revolving line of credit facility with a bank that expires in July 2013. There were no outstanding borrowings as of December 31, 2012 and 2011 or during the year ended December 31, 2012 and the period January 4, 2011 through December 31, 2011. Interest is charged at the borrower's option at a Prime Based Rate or a LIBOR rate, as defined in the agreement. The line of credit facility is collateralized by all of the Organization's assets and a personal guarantee of the chief executive officer.

NOTE H - LEASE COMMITMENTS

The Organization leases office space in accordance of the terms of a month-to-month lease agreement, which requires a monthly payment of $2,400. Rent expense for the year ended December 31, 2012 and the period January 4, 2011 through December 31, 2011 was $15,699 and $6,185, respectively.

NOTE I - FUNCTIONAL EXPENSES

The Organization provides funding and management support to high-performing nonprofit organizations. Expenses related to this function for the year ended December 31, 2012 and the period January 4, 2011 through December 31, 2011 are as follows:

	Year ended December 31, 2012			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	$ 940,600	$ -	$ -	$ 940,600
Professional services	118,166	16,286	66,865	201,317
Office administration	46,581	18,175	23,023	87,779
Travel	10,463	3,444	4,913	18,820
Salaries and related benefits and expenses	155,350	69,187	75,403	299,940
Depreciation	802	802	802	2,406
	$ 1,271,962	$ 107,894	$ 171,006	$ 1,550,862

	Period January 4, 2011 through December 31, 2011			
	Program	Fundraising	General & Administrative	Total
Grant expense and management support	$ 400,000	$ -	$ -	$ 400,000
Professional services	16,936	10,804	16,936	44,676
Office administration	8,501	7,611	14,500	30,612
Travel	3,373	675	451	4,499
Salaries and related benefits and expenses	132,757	48,000	38,080	218,837
Depreciation	296	296	295	887
	$ 561,863	$ 67,386	$ 70,262	$ 699,511

NOTE J - CONCENTRATION OF CREDIT RISK

1. Uninsured Cash

The Organization maintains cash balances at two financial institutions in Illinois. Certain accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may, from time to time, have balances in excess of insured deposit limits. At December 31, 2012, the Organization had uninsured cash and cash equivalents of $1,391,315.

2. Funding Source

For the year ended December 31, 2012 and the period January 4, 2011 through December 31, 2011, the Organization received contributions from five and three sources, respectively, representing approximately 52% and 69% of contribution revenues.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2013, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of financial position date that require additional disclosure in the financial statements.